



The Voice of Small Business

MICHIGAN

For Immediate Release

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Small Business Still Skeptical of Medicaid Expansion

Lansing (May 21, 2013) – Although House Republicans deserve credit for trying to make the best of a bad proposal, the **National Federation of Independent Business (NFIB)** said it is still unlikely that Michigan small business owners will support Medicaid expansion. Earlier in the year, a majority of small business owners surveyed by NFIB opposed expanding Medicaid coverage under the Affordable Care Act as proposed by Governor Snyder in his recent budget address.

Since that time, Representative Matt Lori (R-57) has introduced House Bill 4714 that seeks to make further changes to any Medicaid expansion in the state by limiting coverage for non-disabled adults to four years and include cost sharing of five percent. The bill would also require the federal government to fund 100 percent of the expansion beyond the current time limit and provide incentives for healthy behavior and fraud reporting.

“We appreciate the effort of both the Governor and House Republicans in trying to make the best of a bad proposal, however, small business has little confidence in the federal government to keep any promises made regarding funding commitments,” said **NFIB State Director Charlie Owens**. “They also believe that, in the long run, expanding entitlement programs like Medicaid create more dependency and discourage people from seeking better jobs and opportunities.”

The Affordable Care Act included a requirement that states expand Medicaid eligibility for all individuals and families up to 133 percent of the Federal Poverty Level. However, a recent U.S. Supreme Court decision allows states to opt out of the Medicaid expansion requirement. In addition to the changes sought by House Republicans, Governor Snyder has proposed setting aside projected savings from patients that are now covered by state general funds that would be covered by federal funds under the expanded program. The savings set aside would be used to cover the eventual 10 percent that Michigan would have to cover after federal funding is reduced in later years. Governor Snyder’s says that his plan provides funding for 100 percent of the Medicaid expansion until the year 2035.

When asked if Michigan should expand Medicaid as allowed under the federal Affordable Care Act, 67 percent of those surveyed said NO, 22 percent said YES and 11 percent were undecided. The survey question included the Governor’s proposal but not the changes offered by HB 4714.

“Our members are skeptical of budget assumptions that depend on the discipline of future lawmakers and governors to keep their hands off funds when another budget shortfall looms or for some other politically popular purpose,” said Owens. “Their skepticism is likely to include depending on future lawmakers to hold to the reforms proposed by HB 4714 down the road.”

The House Committee on Michigan Competitiveness is holding hearings on HB 4714 this week.

To view the survey question go to <http://bit.ly/15WKB6x>

For more information about NFIB, please visit www.nfib.com/michigan.

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NFIB Michigan Fax Survey

National Federation of Independent Business

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Should Michigan expand Medicaid coverage as allowed under the federal Affordable Care Act?

Background: Medicaid provides health care services for people who are disabled and/or below the poverty level and is paid for by a combination of state and federal tax dollars. The Affordable Care Act (often referred to as "Obamacare") included a provision to expand Medicaid eligibility for all individuals and families up to 133 percent of the Federal Poverty Level (\$14,856 for individuals, \$30,657 for a family of four in 2012). The federal government will fund 100 percent of the expansion for the first three years, and federal funds will gradually decrease to 90 percent after 2020, leaving states to pick up 10 percent of funding for the newly insured population. A recent U.S. Supreme Court decision allows states to opt out of the new Medicaid expansion.

If Michigan were to go along with the expansion about 450,000 more residents would be eligible for Medicaid. Included in this expansion would be a number of patients using mental health services already covered with state general funds. These existing patients would be covered by the expanded federal funding and, as a result, Michigan would actually save approximately \$206 million annually. Governor Snyder has proposed that a portion of these savings be set aside to cover the eventual 10 percent that Michigan would have to cover after federal funding is reduced. Under this approach, Michigan would still have funding for 100 percent of the expansion until the year 2035.

Opponents of expanding Medicaid coverage in Michigan fear that, after coverage is expanded, the federal government will renege on funding the 90 percent and stick the states with a great portion of the cost. They point out that the budget assumptions of setting aside savings to cover the state's share after 2020 depend on future state legislators and governors not raiding the funds for something else. Opponents claim that expanding entitlement programs like Medicaid create more dependency and discourage people from seeking better jobs and opportunities.

Supporters of expanding Medicaid coverage say that it will save the state money while providing better health care for its residents. They argue that if Michigan fails to do so, taxpayers will be subsidizing the citizens of every state that does. Supporters claim that small business will benefit because they would not have to worry about providing health insurance to many of the workers they hire. They also believe that expanding Medicaid will increase coverage for the uninsured, thus reducing uncompensated care costs that drive up health insurance for everyone.

Should Michigan expand Medicaid as allowed under the federal Affordable Care Act?

22% Yes

67% No

11% Undecided

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Small Businesses to Bear Most of Health Insurance Tax Job Losses

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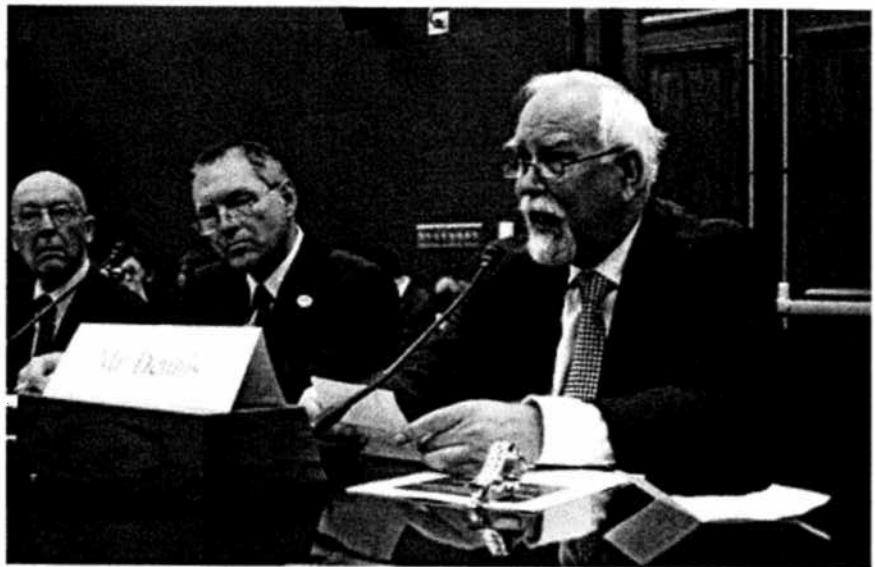
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NFIB Senior Research Fellow Cites Lost Jobs Due to New Tax

WASHINGTON, D.C., May 9, 2013 — The Health Insurance Tax (a part of the President's healthcare law) will have a debilitating effect on small-business owners and their employees, according to testimony by **NFIB Senior Research Fellow William Dennis** delivered today before the House Small Business Committee, Subcommittee on Health Care and Technology.

Dennis testified about the health insurance premium tax (HIT), one of the largest revenue components included in the original law, that was intended to offset the enormous budgetary costs posed by the Patient Protection and Affordable Care Act (PPACA), by raising over \$100 billion in the decade beginning in 2014. While formally structured as a fee on health insurers, the tax will be predominantly passed along to small employers and their employees who purchase health care products in the fully-insured market.



"Given that this tax targets the fully-insured market, it can be expected to impact the small-business sector in a substantial way, as small businesses rarely have the economic resources to self-insure," said Dennis. "But that is only half the story. Large firms and their employees who self-insure (and most do) do NOT have to pay the tax. That not only begs any semblance of equity, but places small businesses that offer health insurance at a competitive disadvantage. It is another reason for the smallest businesses not to offer employee health insurance."

NFIB's testimony focused on its recent study that analyzed the economic impact of the tax on small businesses and the broader economy. Through use of the Business Size Insight Module, the NFIB Research Foundation determined that the HIT would reduce national private sector employment by 146,000 to 262,000 jobs by 2022. Fifty-nine (59) percent of the job losses are forecast to be in the small-business sector. In addition, the cumulative reduction in real output (GDP) over the ten-year forecast window is projected to be as high as \$185 billion.

Reports discussing these findings along with the methodology employed are available on the website, [here](#).

Mr. Dennis' written testimony is [available here](#).

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The Oregon Trial

A new study exposes Medicaid's flaws, but liberals call it success.

MAY 2, 2013 **OPINION**

A familiar critique of liberal governance is that the results always matter less than its grand social ambitions. The latest evidence of this truth comes in the reaction to disappointing new findings from one of the most important public-policy experiments since the 1970s.

A team of varsity health economists, mostly at Harvard and MIT, is studying the relationship between health outcomes and health insurance delivered by Medicaid. In 2008, Oregon's Medicaid program conducted a lottery to enroll a limited number of low-income adults, and the economists are comparing over time the winners who gained coverage with those who applied but remain on a waiting list. Such experiments with large randomized trials are rare.

On Wednesday the New England Journal published the results from year two of the Oregon project, which **"showed that Medicaid coverage generated no significant improvements in measured physical health outcomes"** versus being uninsured. If Medicaid were a new drug, in other words, the FDA would reject it.

The Medicaid group used about 35% more health services, but they showed no clinical differences from the identical uninsured group across basic health measures like blood pressure, blood sugar and cholesterol levels that can be improved with the right treatment. The same was true comparing subgroups such as people with chronic diseases like diabetes. Health spending was higher among the Medicaid group, despite claims that using more preventative care and less emergency room will lower costs.

Yet liberals are proclaiming the results a great success and a reason to expand Medicaid under ObamaCare. They point to a side finding that Medicaid increased economic security and led to "a reduction in financial strain," the share of personal income going to care. "Here Medicaid shined. It hugely reduced out of pocket spending," noted Aaron Carroll of Indiana University and Austin Frakt of Boston University.

Richard Kronick and Andrew Bindman of the Health and Human Services Department praise Medicaid for providing "a low-income population with considerable financial protection" and increasing access to care, even if it is "less clear how well Medicaid accomplished the third goal—improving health."

So when liberals are confronted with robust empirical evidence that Medicaid offers little benefit for the money, they emerge to rationalize the program's failures as, well, at least they spread the wealth.

Medicaid in Oregon did nearly eliminate catastrophic medical expenses, compared to 5.5% of the uninsured control group that experienced a ruinous illness or injury. But that sure sounds like an argument for reforming Medicaid to extend basic catastrophic coverage to more poor people, instead of holding Medicaid lotteries.

Sorry. Federal Medicaid rules require states to offer all-you-can-eat benefits to everyone rather than targeting public assistance to those most in need. These mandates often force states to squeeze provider payments to pennies on the private dollar, further harming quality and access for the poor.

These counterproductive priorities will be familiar to students of the forced equality of government-run health care. But what the progressive response to the Oregon experiment shows is that ObamaCare has never been about the quality of care. It is an ideological project to redistribute income in the name of social justice. As Montana Senator Max Baucus put it not long after his law passed, it is a correction to the "maldistribution of income in America," adding that "The wealthy are getting way, way too wealthy, and the middle-income class is being left behind."

No single study is conclusive, and more health care does not always mean better health. Yet such caveats were absent in the health-care debate: "Everyone in this room knows what will happen if we do nothing," Mr. Obama told a joint session of Congress in 2009. "More Americans will lose their coverage when they are sick and need it the most. And more will die as a result. We know these things to be true."

Now we learn that the truth is closer to the opposite and that at best Medicaid does no active harm. But then that may count as an achievement by government standards, especially given the "glitches and bumps" that Mr. Obama predicted for his new entitlement the other day "even if we do everything perfectly."

He continued: "Oh, look, this thing's, you know, not working the way it's supposed to, and this happened and that happened. And that's pretty much true of every government program that's ever been set up." But who cares when your egalitarian intentions are good.

